

# The Gazette of India



EXTRAORDINARY

PART I- Section 1

PUBLISHED BY AUTHORITY

No. 57]

NEW DELHI, SATURDAY, JULY 14, 1951

## MINISTRY OF FOOD &amp; AGRICULTURE

(Agriculture)

## RESOLUTION

*New Delhi, the 14th July 1951*

**No. SU-101(4-18)/50.**—The report of the Sugar Enquiry Committee appointed by the Government of India under the Resolution No. SV-101(4-18) dated the 12th June, 1950, to enquire into such aspects of the sugar industry as were not fully covered by the Final Report of the Committee released for public information. The findings of the Committee on the specific items referred to for enquiry together with Government of India's comments thereon are given below.

(1) *Excessive supply of sugar.*—On 15th January, 1949, the Indian Sugar Syndicate, Ltd., submitted a report to the Government regarding the supply of sugar. The Chief Minister, U. P., also addressed the Joint Session of the U. P. Legislative Assembly and Agriculture Department. The Ministry of Transport and the Ministry of Railways were also consulted. The Ministry of Transport to step up wagon supply and the Ministry of Railways to step up supply of wagons were involved in this connection a meeting at Gorakhpur on the 10th March, 1949, was attended by the representatives of the U. P. Government, the Indian Sugar Syndicate, Ltd., and the Ministry of Transport. A plan for the supply of wagons to sugar factories was prepared at this meeting and the statistics supplied by the Sugar Syndicate were prepared at this meeting and it was finalised at another meeting held on the 14th April, 1949. The plan provided for a normal carry-over of one lakh tons of sugar at the end of the sugar season. Although adequate provision was made in the plan for supply of wagons, the actual supply of wagons was much larger than planned for, and the result was that the supply of wagons supplied during the period from 15th March, 1949 to 31st August, 1949, was 32 per cent. in excess of the plan. This resulted, according to the Committee, in the despatch from the factories of an extra quantity of sugar amounting to 1,30,001 tons. The Committee has further stated that another reason for excessive despatches of sugar was that in the plan drawn up the capacity of each wagon was taken as ten tons, regardless of the fact that on the EIR and EPR it is 20 tons which has resulted in double the number of wagons being provided on these Railways against what should have been provided.

The Committee has also stated that basic release quotas for individual mills were to be fixed by the Syndicate subject to the approval of the Sugar Commission, but during the year 1948-49 the Syndicate made releases amounting to 80 per cent. of the year's production till the 28th June, 1949, without the Sugar Commission's sanction. If excessive releases had not been made, the question of excessive movement would not have arisen. Concluding its finding on the subject the Committee has stated as follows—

"It seems clear, that in the case of the Central Government there was no statutory duty (to regulate quota releases and movement) but it is obvious that if an intercession is made on the representation of an interested party, there is an obligation to make sure that such representation is well founded and that remedy devised has relation

to actual facts and past experience. Apart from this, there is the general obligation to be vigilant of the public interests. The Indian Sugar Syndicate and the Sugar Commission had the statutory authority to regulate supply and distribution ..... There was also the supervising authority of the Governments of U. P. and Bihar. Obviously, in such an arrangement the direct responsibility lies only with the Indian Sugar Syndicate and the Sugar Commission; the role which other parties mentioned above have played is only indirect."

The Committee is of the view that the complaint made by the Sugar Syndicate in February, 1949, regarding inadequate supply of wagons was baseless since the quantity of sugar moved in February and the first fortnight of March, 1949, was much larger than that in the corresponding period of 1948 and no intercession by the Central or State Governments was called for. The Committee is also of the view that since a plan was made, it should have been kept under review and the wagon supply regulated accordingly.

It may be noted that information about despatches in February was not available and despatches in March, were yet to take place when the complaint by the Sugar Syndicate was received; on the other hand, despatches according to figures supplied by the Indian Sugar Syndicate of sugar in January, 1949, were only 53,550 tons as against 81,573 tons in January, 1948. The supply of wagons during the last three months of 1948 was also very inadequate. The experience of the past several years had been that the supplies of wagons on the O. & T. Railway on which the bulk of the factories in U. P. and Bihar are situated, were chronically short. The factories had a large carry-over of two lakh tons from the previous year and the new season's production was fast accumulating. The factories were reported to be in financial difficulties by the U. P. Government. Due to lack of adequate transport prices of sugar in the industrial centres were rising. In view of all these facts it did not appear to Government that the anxiety shown by the Sugar Syndicate and the State Government of U. P., was without justification. Increased wagon supply was, therefore, considered necessary at a time when crushing was at its peak. The wagon supply was, therefore, stepped up. It is true that the wagon supply position had improved in February and March, 1949, but there was no guarantee that the improvement would be maintained. In order that similar difficulties may not recur a plan for movement of sugar leaving a normal carry-over of one lakh tons at the end of the year with the Industry, was drawn up. There was no miscalculation in the plan as stated by the Committee regarding the carrying capacity of a wagon on the different Railways. The calculations were correctly made on the appropriate wagon capacity for each Railway and not on a uniform rate of ten tons per wagon.

The object underlying the plan was not to regulate movement statutorily but to provide a minimum guarantee of supply of wagons to the factories as is clear from the fact that it was mentioned in the plan that there was no objection to supply more wagons. The plan was, therefore, meant to serve as guide to the Railways and the Industry. It could have no further significance under conditions of decontrol.

The operation of the plan was being observed but, as it happened, many more wagons became available and the plan was exceeded. No one at that time could, however, anticipate that the transport position would ease considerably. Under decontrol when there was a free market the Railways could not refuse to give more wagons when they became available and if demanded, as the plan had no statutory basis and the Railways are public carriers.

Under decontrolled conditions the responsibility for planned movement of sugar lay on the Indian Sugar Syndicate which was the marketing organisation of the factories in Uttar Pradesh and Bihar, and not on the Central or State Governments who had deliberately adopted a policy of decontrol, the necessary implication of which was not to impose any restrictions on movement or distribution.

(2) *Movement of sugar intended for consumption in India into Pakistan during 1949.*—There was no ban on export of sugar from India to Pakistan from 16th June, 1948 to 2nd September, 1949. But Pakistan had levied an import duty of £30 per ton before 1st March, 1949. The ex-factory price of sugar in India in 1947-48 was Rs. 35-7 per maund. As the cost of Indian sugar after paying the import duty would have been excessive, the Committee thought that it would have paid the traders on both sides of the Indo-Pakistan border to move sugar only by manipulating evasion of import duty.

In 1949, the price of Indian sugar was reduced to Rs. 28/8 per maund while the import duty in Pakistan was also abolished from 1st March, 1949. Between 1st March, 1949 and 1st September, 1949, therefore, sugar could have moved from India to Pakistan without let or hindrance. According to the figures supplied by the Director-General of Commercial Intelligence and Statistics only 6,606 tons of sugar was exported from India to Pakistan from November, 1948 to October, 1949. Both the Industry and the Trade, however, alleged that about 50,000 tons of sugar was exported to Pakistan during the said period. The trade estimate was based mainly on the fact that much larger quantities of sugar were despatched to border States like West Bengal, East Punjab and Assam and to towns situated on the Indo-Pakistan border during 1948-49 than during 1947-48. Quantities of sugar despatched to Saurashtra were also much larger in 1948-49. Sugar despatched to important border towns in 1948-49 totalled 1,15,945 tons as against 54,682 tons in the previous year. Since consumption in these border towns could not have increased to the extent shown by the additional quantities sent to them in 1948-49, the Committee feels that the extra quantity of sugar must have gone to Pakistan. Under decontrol, however, large border movements could not be prevented. There are also physical limitations in effectively sealing a border which is hundreds of miles in length. The Government of India have taken suitable precautions in the current year to avert clandestine removal of sugar out of the country by keeping a close watch on the inter-state movement of sugar and by allowing it only under permits to be issued by the Central Government.

(3) *Alleged despatch of sugar by sugar factories in breach of the freezing orders of the Uttar Pradesh and Central Governments.*—The total quantity of sugar frozen by the Uttar Pradesh Government was 80,836.9 tons. The Committee has found that there were no despatches by factories in breach of the Uttar Pradesh Government's freezing order.

The quantity of sugar frozen by the Central Government was 1,13,677.5 tons. Out of 125 sugar factories whose stocks were frozen by the Central Government, 3 factories have been found by the Committee to have despatched about 150 tons of sugar in breach of the Government orders. The Government of India are examining the cases of these factories with a view to taking suitable action in the matter.

(4) *Premium charged by sugar factories over their fixed price during July-August, 1949*—The Indian Sugar Syndicate informed the Committee that 13 factories from among their members had charged a premium over their fixed prices. Replies received by the Committee from factories direct, however, showed that certain other factories had also charged premia. The premium charged by different factories varied widely and was as high as Rs. 10-12-4 per maund in some cases. The information supplied to the Committee by merchants showed that, a much larger number of factories had charged such premium, and their number in U. P. and Bihar alone would be more than 75.

As the prices for the factories were fixed by the Syndicate and as there was nothing in the Syndicate's Constitution to prevent the factories from charging higher prices, no action was taken by the Syndicate against such factories. Nor could Government do anything in the matter as there was no statutory control on sugar prices at that time. Government control had to be reimposed as a sequel to the scarcity of sugar created by the factories and the trade and the high prices charged by them to the consumer.

(3) *Proposal for export of 50,000 tons of sugar to Pakistan.*—The Indian Sugar Syndicate thought of exporting sugar to Pakistan as early as January 1949 at even 'cut' prices. A surcharge of As. 0-4-0 per maund was levied by the Syndicate on all sugar released by the Syndicate for home consumption with a view to making good the loss on such exports. The Syndicate could not, however, find any foreign buyer upto mid-June, 1949. Government was approached about that time to help the Industry in its efforts to export sugar to Pakistan.

At this juncture a representative of the Government of India, who had gone to London in connection with talks on Sterling Balances, telegraphed to the Government of India that Pakistan representatives had requested U. K. for dollar allocation for purchase of sugar and that U. K. Government had suggested that India should export sugar to Pakistan. The matter was placed before the Economic Committee of the Cabinet, and it was decided to offer *inter alia* 30,000 tons of sugar to Pakistan through U. K. and to help the Industry to export it by price manipulation if necessary. The news of this Government's decision had a bullish effect on the market and gave rise to a feeling of scarcity. Internal prices rose and the Syndicate, therefore, gave up the idea of exporting any sugar.

The Committee has questioned the propriety of the above Government's decision taken at a time when the stocks with the factories were much below the normal level and the position of the projected carry-over at the end of the year was in jeopardy. As regards the Industry, the Committee has stated that since substantial stocks had left the factories by June July, 1949, the Industry could not have been interested in exports unless some stocks had been deliberately kept back for the purpose, and the attendant scarcity had something to do with it. The Committee has concluded that "one or the other conclusion is inescapable that very substantial quantities of sugar were concealed with a view to exporting to Pakistan, and subsequently remained underground, or that artificial scarcity was created with a view to pushing up prices. It is difficult to say which motive actually ruled the men that mattered." Nor is the Government in a position to throw any more light on the subject.

(6) *Movement of sugar by factories and trade during July-August 1949*—The statistical data collected by the Committee clearly shows that there was considerable movement of sugar from factories and distributing centres in all directions. The sugar purchased by merchants from factories at premium prices was passed on to merchants in consuming centres at increased prices. Since, however, there was no control on sugar prices or movement during those months, the Government of India or any of the State Governments could not take any action in the matter.

2. The main causes of the sugar crisis of 1949 in the opinion of the Committee as also of the Tariff Board were the uncontrolled and accelerated releases from the factories by the Indian Sugar Syndicate and the decision taken towards the end of June 1949, to facilitate the export of a substantial quantity of sugar. Both these factors had a marked bullish effect on the sugar markets. The situation was fully exploited by the Industry and the trade to their advantage. Consequently, a feeling of scarcity was created in the later half of 1949 leading to high prices of sugar. The conclusion to be drawn is that unless releases from factories are regulated and properly controlled, or, alternatively, sufficient stocks are at the disposal of the State, there will inevitably be a tendency towards hoarding and profiteering in a commodity like sugar in the later part of the season.

3. The Committee has drawn the attention of the Governments to the fact that a number of merchants and factories failed to send a reply to the questionnaire sent out by them under the Sugar Crisis Enquiring Authority Ordinance of 1950. The question of taking action against the defaulters is under the consideration of Government.

4. Government wish to thank Shri Ganga Nath, the sole member of the Committee, for an illuminating and painstaking report on a matter which had much exercised the public mind.

VISHNU SAHAY, Secy.